

**REVIEW OF
DEMONSTRATION PROJECT
REDUCTION IN FORCE
PROCEDURES**

**DEPARTMENT OF THE NAVY
NAVAL AIR WARFARE
CENTER WEAPONS DIVISION**

January 2001

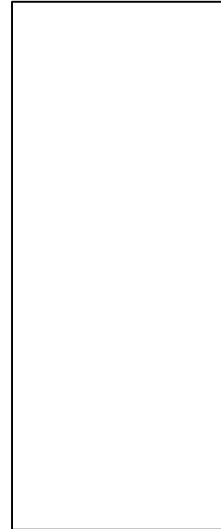


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Much of the Center's activity focuses on a consortium of over 60 federal agencies, state and local governments, and the World Bank. These organizations pool their resources to address the pressing issues of modern human resources management. Consortium members set annual priorities and provide collegial direction for the work of the Center, which has application throughout the public sector.

The Center provides consultative services to individual public organizations on specific short- and long-term issues. These services include the development of customized human resource systems.

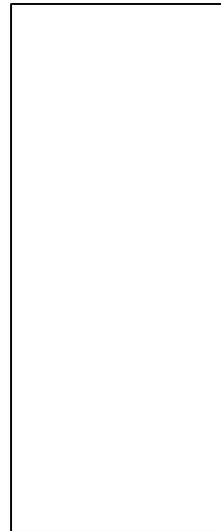


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Advisory Panel Members of the Academy

Gordon Sherman, *Panel Chair*
Rosslyn S. Kleeman
Thomas S. McFee
Janice Warden



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Robert J. O'Neill, Jr., *President*

Philip J. Rutledge, *Secretary*

Sylvester Murray, *Treasurer*

Project Staff

Frank P. Cipolla, *Center Director*

Harriett G. Jenkins, *Academy Fellow and Project Director*

Larry Goodwin, *Deputy Project Director*

Robert J. Braunstein, *Senior Consultant*

Leonard Klein, *Senior Consultant*

Patricia Saturen, *Consultant*

Hythia Young, *Consultant*

Christine Sterling, *Research Assistant*

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EXECUTIVE SUMMARY

The Department of the Navy asked the National Academy of Public Administration's (the Academy) Center for Human Resources Management to conduct an independent review of the reduction in force (RIF) that had been implemented November 19, 1999, by the Naval Air Warfare Center Weapons Division (NAWCWD). The independent review was to look at the elements of the Alternative Personnel Management System, known as the 'Demonstration Project,' (Demo) as they impacted on the RIF at China Lake and Point Mugu, California, and at White Sands, New Mexico.

The review was to focus on the performance rating levels; pay increments and bonuses attendant to the performance rating levels; RIF retention credit attendant to performance rating levels; specialty area codes; and any other related issues or factors necessary to assess the fairness of the RIF on employees and its administrative effectiveness. The Navy wanted to know if the Demo systems and programs, as they were applied in the RIF, resulted in improper treatment of employees because of their age, sex, race, national origin, or other inappropriate distinctions.

The National Academy of Public Administration is a not-for-profit, non-partisan organization chartered by Congress to improve governance at all levels. As a Congressionally chartered organization, the Academy operates with independence and hence was selected to conduct this review. The Academy's Center for Human Resources Management, because of its experience in assessing alternative personnel systems and the fairness and effectiveness of workplace situations, was uniquely qualified to conduct the review.

The Academy team focused on China Lake and Point Mugu, because only a small number of persons were involved at White Sands, and none of them were adversely impacted. A wide array of documents, employee files, and rules and regulations attendant to the RIF were reviewed and analyzed; 100 managerial and employee volunteers were interviewed, including some who were not affected by the RIF; and two briefings were provided.

The impact of the RIF on the employee population was analyzed in detail: by site; by commercial activity and business-based reasons; by position series; and by age, gender, minority group, disability, and veterans status. The impact of employees' performance ratings on their retention, and the number of performance reconsiderations requested, as well as the impact of pay pool limitations on performance ratings were carefully analyzed. How functional codes and specialty area codes were utilized in the RIF was also reviewed.

The Academy team concluded that the Demo RIF was conducted properly and fairly. This conclusion was supported by several factors.

On February 12, 1999, NAWCWD asked for authorization to RIF up to 577 employees because of commercial activity outsourcing and for business-based reasons caused by loss of work, reduced funding, workload realignments, and skills mix imbalances. The Academy team review found that during the months preceding the RIF steps were taken to mitigate the impact of the RIF and lessen the number of employees who would lose their jobs. Among the steps taken were: efforts to keep employees informed, minimize managerial discretion, and insure fairness;

offers of voluntary separation incentive pay and voluntary early retirement; reassignment of displaced employees to vacant positions; and assistance for employees in finding other jobs. By November 19, 1999, only 82 positions were abolished at China Lake and Point Mugu, and 101 Demo employees were impacted (60 reassignments; 15 changes to lower grades; and 26 separations). Since the RIF, 7 of the 26 separated employees have found positions (4 rehired by NAWCWD and 3 by other government entities); and of the 15 employees changed to lower grades, 11 have been repromoted, and one left NAWCWD.

The Academy team has recommended that future RIF notices contain the full competitive level code - specifically the functional code and the specialty area code. In the RIF under study, no employee was harmed by this deficiency, and management has agreed to ensure this information is included in the future.

The Academy team compared the relevant workforce representation percentages of sub-groups of employees with their respective percentages of the positions abolished and with their respective percentages of persons ultimately adversely impacted (i.e. changed to a lower grade or separated). While there were instances of particular sub-groups having higher percentages of positions abolished than their percentages of the relevant workforce, by the time the RIF was implemented the number of sub-groups who were adversely impacted at percentages higher than their representation in the relevant workforce, as well as the number of persons within those groups, had been substantially reduced. Where higher percentages of adverse impact were found, the employee sub-groups had fewer years of service, and/or less veterans preference than the employees retained, and/or their numbers were so small it could not be validly concluded that any adverse impact was unfairly disproportionate.

For instance, older workers, White males, and Veterans were adversely impacted at rates lower than their percentages in the relevant workforce. Women and Asians/Pacific Islanders, however, were adversely impacted at rates higher than their respective workforce percentages, but it was because of their fewer years of service and lack of veterans preference. No Black employees were adversely impacted; two individuals with targeted disabilities were adversely impacted by separations; and one American Indian female and one Hispanic male were changed to lower grades.

Most importantly, the Academy team emphasizes that a valid RIF may not have a proportional impact on those affected. The fact that one group is adversely impacted more than another, or that any employee has to lose his or her job, is regrettable. But if the RIF is run properly, as this one was, such an impact on employee groups sometimes cannot be avoided. The RIF procedures are supposed to be applied in a neutral manner, and they were.

Although the Academy team found that the RIF was conducted properly and fairly, and that the Demonstration Project procedures helped NAWCWD retain its outstanding performers, some issues were encountered during the review that merit management attention. Specifically, some employees expressed concern about the manner in which the performance management system operates in practice. There was a perception that inequities occur to employees at the midpoint and the top of the pay range. Where employees believe they are not rated accurately, it can be a demotivator that impacts adversely on program and mission accomplishment. These issues are

highlighted in the body of the report, together with recommendations/options for NAWCWD management to analyze and implement subject to their findings. One of the recommendations suggests that management consider delinking the performance rating and pay decisions.

Regarding the use of downtime and its impact on employees, the Academy team recommends the workforce be reformed that the Available Talent Pool program has been discontinued. There appeared to be considerable confusion among interviewed employees and managers about how this program operates and their respective responsibilities in finding work and providing work opportunities for unfunded employees.

Finally, the Academy team has sought to highlight employees' concerns about a climate of perceived favoritism and retaliation in NAWCWD and has recommended management determine if these conditions exist. A number of the employees interviewed, even employees who were not affected by the RIF, raised this matter. While these perceptions are not an indictment of NAWCWD management practices, they are possible indicators of the management climate and could impact organizational effectiveness.

In summary, the Academy team determined that the Demonstration Project RIF was implemented in a proper and fair manner, with objective and neutral factors guiding the retention decisions, and that the RIF administratively achieved its major goal of retaining its superior performers. The team also identified several concerns raised by employees and managers and encourages management to determine if such perceptions are reality. Finally, recommendations and options for management to consider are included in this report.

I. INTRODUCTION

In September 2000, the Department of the Navy (DoN) asked the National Academy of Public Administration's (the Academy) Center for Human Resources Management to review the reduction in force (RIF) conducted on November 19, 1999, as well as elements of the Alternative Personnel Management System that could potentially impact on that RIF. The system is known as the 'Demonstration Project (Demo),' and is currently in use at the Naval Air Warfare Center Weapons Division (NAWCWD) located at China Lake and Point Mugu, California, and at White Sands, New Mexico. The review was to focus on the following areas:

- Performance rating levels
- Pay increments and bonuses attendant to performance rating levels
- RIF retention credit attendant to performance rating levels
- Specialty area codes
- Other related issues

The review was to consider the areas above and any other factors necessary to assess the fairness of the RIF, its effect on employees, and the effectiveness of the administration of the system as it related to the RIF. DoN wanted to know if the systems and programs, in and of themselves or as they were applied in the RIF, resulted in improper treatment of employees because of their age, sex, race, national origin, or other inappropriate distinctions.

DoN was not requesting the adjudication of individual cases, but rather an evaluation of the programs and issues identified above. Valid individual cases were or are being handled through existing, appropriate DoN or Demonstration Project processes. Therefore, no findings or recommendations with respect to individual cases were a part of this review, nor are any included in this report.

The National Academy of Public Administration is a not-for-profit, non-partisan organization chartered by Congress to improve governance at all levels. As a Congressionally-chartered organization, the Academy operates with independence in performing its work. This independence helps ensure that work products are developed on objective and factual data and analyses.

The Academy's Center for Human Resources Management is uniquely qualified to conduct a review of the Alternative Personnel System in use at NAWCWD. Over the last six years, the Center for Human Resources Management has examined every aspect of human resources management, has conducted a number of reviews of alternative personnel systems, and has conducted reviews of workplace situations and issues where employees have raised questions of fairness and implementation effectiveness.

II. BACKGROUND

On November 19, 1999, NAWCWD conducted a RIF at three locations: China Lake, Point Mugu, and White Sands.

Following the RIF, some employees alleged the RIF in the Demonstration Project at China Lake and Point Mugu was not conducted fairly and that older workers in particular were disadvantaged. In August 2000, the Naval Air Systems Command issued a press release stating that they would seek an independent review of these allegations to ensure that the RIF was conducted properly.

Accordingly, the DoN requested that the Academy's Center for Human Resources Management conduct this review.

III. ACADEMY TEAM METHODOLOGY

The Academy assembled a team of eight members. The members have extensive experience in management, human resources, and equal employment opportunity.

Five members of the team spent up to ten days in October 2000 at DoN Human Resources Service Center (HRSC) in San Diego, California, reviewing and analyzing records and data from the RIFs of both Demo and non-Demo employees. The HRSC maintains all DoN Official Personnel Folders for DoN installations in the Southwest Region and processes all personnel transactions, including RIFs, for those organizations.

While the total number of employees affected by the RIF was 349, the team concentrated on the 100 employees who were affected by the Demo RIF and particularly on those individuals who were separated or changed to lower grades. The team did compare the results of the Demo RIF to the non-Demo RIF when it was deemed useful to the study since the non-Demo RIF was conducted using the established RIF procedures used by most federal government agencies.

The Academy team reviewed the following information:

1. The 16 reports that the Office of Personnel Management (OPM) developed over the past 20 years as part of OPM's responsibility to monitor and evaluate the effectiveness of the Demonstration Project.
2. The RIF retention registers to ensure the RIF process was conducted properly.
3. The Official Personnel Folders (OPF) and Employee Performance Folders (EPF) of all Demo employees adversely affected by the RIF and a 10% sample of the OPFs of Demo employees reassigned to ensure their personal data was accurate on the retention registers.
4. A 10% sample of non-Demo RIF actions, including EPFs.

5. Reconsideration files for those 27 Demo employees who were affected by the RIF and requested reconsideration of their performance ratings.
6. Copies of any appeals of the RIF by Demo and non-Demo employees.
7. A list and explanation of any changes made to competitive levels, including specialty area codes, since they were frozen on May 7, 1999.
8. Data on employees who participated in the Voluntary Separation Incentive Program (VSIP) and the Voluntary Early Retirement Authority option (VERA).
9. Classification standards for Demo jobs, including functional codes and specialty area codes.
10. Data on various phases of the RIF, including data on race, sex, age, minority status, disability status, etc., to assess the impact of the RIF on the employee population at large and on sub-groups of employees.
11. Background information on the establishment of the Demo project, including the policies and procedures in effect at the time of the RIF.
12. Various data sets and information provided to the Academy team during the course of the review as specific questions arose.

In addition to reviewing files, records, data, etc., two briefings were provided to the team at the HRSC in San Diego. Dr. Karen Higgins, Executive Director of NAWCWD, provided an overview of NAWCWD and insight into top management's perspective on the RIF and subsequent actions. The Director of Human Resources of NAWCWD, Don Shibley, briefed the team on the RIF mechanics and key decisions that influenced the results of the RIF.

Finally, employees, former employees (who were separated by the RIF), supervisors, and managers were invited to talk to the Academy team, if they wished, about the RIF. These volunteers were interviewed at Point Mugu and China Lake between November 13 and November 17, 2000. A total of 100 individuals were interviewed.

Of the 100 people interviewed, 59 were not affected by the RIF, 21 were former employees that had been separated, 7 had been changed to a lower grade, 8 had been reassigned, 2 found jobs on base before the RIF effective date, and 3 had taken early retirement (VERA). Table 1 below depicts this information by Demo and non-Demo groups.

Table 1
INTERVIEWS

	Demo	Non-Demo	Total
Not Affected by RIF	56	3	59
Separated	10	11	21
Changed to Lower Grade	1	6	7
Reassigned	6	2	8
Found jobs before 11/19/99 RIF	2		2
Early Retirement	3		3
Total	78	22	100

These interviewees were in, or had been in, 22 different occupations. Thirty-one were managers or former managers. Also, the 100 interviewed were a diverse group of men and women who were White, Blacks, Hispanic, and Asian/Pacific Islanders.

IV. THE DEMONSTRATION PROJECT

The DoN Demonstration Project under review was approved by the OPM in 1980 and implemented July 13, 1980. It was extended twice, for five years each time, and was made permanent by Congressional action in 1995. The Demonstration Project was expanded to include Point Mugu and White Sands Missile Range in 1993, based on the reorganization that created NAWCWD and has been in place for non-bargaining unit employees at all three locations (China Lake, Point Mugu, and White Sands) since that time.

The purpose of the Demo project is to demonstrate that the effectiveness of federal laboratories can be enhanced by allowing greater managerial control over personnel functions and, at the same time, expanding the opportunities available to employees through a more responsive and flexible personnel system. In order to accomplish this purpose, changes were made that include:

- 1) a more flexible, manageable, and understandable classification system
- 2) a performance appraisal system that links performance objectives, compensation, and organizational effectiveness
- 3) an expanded application of the merit pay concept
- 4) recognition of demonstrated individual performance in the RIF process
- 5) the use of suspended penalties in certain adverse action situations

Together, these changes were designed to help managers operate with more authority, responsibility, and skill to increase workforce and organizational effectiveness and efficiency.¹

This Demonstration Project, locally developed to fit the unique needs of a research-and-development organization, differed from the General Schedule (GS) (non-Demo) in several important ways. At the heart of these differences was a new compensation philosophy: performance, rather than longevity, would be the key factor in determining salaries and retention standing for RIFs. Specifically, the program authorized five broad pay levels, instead of the 18 grades in the GS system. Progression between pay bands was based on the level of difficulty of an individual's work, while progression within the bands depended on the individual's performance. Annual performance plans, jointly developed by the employee and the immediate supervisor, were made the measuring standards for performance.

In place of the complex position descriptions of the GS system, a simple classification system was designed. The classification function was delegated to managers. A dual career ladder allowed highly-valued technical employees to progress without taking supervisory positions. Flexibility for determining starting salaries was introduced. Finally, performance, rather than seniority, was made the primary criterion for retention during a RIF action.

As the oldest Demonstration Project, the Demo has been evaluated extensively by OPM, resulting in 16 management reports on all aspects of the system.

July 2000 marked the 20th anniversary of the Demonstration Project. In recognizing this event, OPM, in a letter to the Commander of the NAWCWD, stated:

By every measure, the Demonstration has been a success. In 1981, the project received the Ribicoff/Percy Award for Excellence in Civil Service Reform Act Implementation. Over the years, through periods of growth as well as draw-downs, retention rates for high performing employees (and separation rates for low performers) have been higher than at the non-Demonstration Centers. Simplified, delegated job classification based on generic standards has dramatically reduced the time for classification actions and reduced conflicts between employees and managers. More flexible recruitment strategies available under the project have made the Demo Centers more competitive in the hiring of talented scientific and engineering personnel. Employee satisfaction with the system remains high, and the Demonstration Project has been a model for many other Federal personnel-demonstration projects and changes to the General Schedule system.²

¹ *Federal Register*, Vol. 45, No. 77, Friday, April 18, 1980, p.26506.

² Letter dated August 23, 2000 to Commander, NAWCWD, from Steven R. Cohen, Associate Director, Office of Merit Systems Oversight and Effectiveness, OPM.

V. REASONS FOR THE NOVEMBER 1999 RIF

On February 12, 1999, the Commander of NAWCWD requested authority from the Deputy Assistant Secretary of the Navy, Civilian Personnel Policy/Equal Employment Opportunity to separate up to 577 employees through RIF procedures no later than November 19, 1999. The reasons cited were the anticipated recommendations from the following:

- commercial activity outsourcing studies
- business-based reasons (including Department of Defense funding reductions, particularly the weapons programs, workload realignments and skills mix imbalances)

At the time of the request, the Weapons Division was conducting seven commercial activities outsourcing studies that were to be completed by the end of May 1999 and could conceivably impact up to 272 positions. Business-based reviews were anticipated to affect an additional 305 employees.

The request for the authority for a RIF also noted the Weapons Division had attempted to address the skills mix imbalance through stimulating voluntary attrition; use of VSIPs and VERAs; and assisting employees' searches for alternate employment. Through these efforts, the civilian-on-board count had been reduced from approximately 7,161 in FY 1996 to approximately 5,200 in FY 1999.

The Weapons Division also had attempted to reduce the skills imbalance through retraining efforts, vigorous marketing for additional work, and re-engineering processes. Nevertheless, a small core of unresolved skills imbalances still existed that could only be addressed with a RIF.

The Weapons Division also requested concurrent approval to offer VSIPs and VERAs to lessen the impact of the RIF.

VI. PLANNING AND IMPLEMENTING THE RIF

A. Major Changes

The Demonstration Project included performance as the prime factor in rankings for retention standing, thus giving managers a better chance to retain outstanding performers at all levels. Personnel were ranked within each competitive level primarily on the basis of incentive pay groupings and then on the basis of normal elements of tenure, veterans preference, and service computation date. These modifications to the RIF process were adopted to increase the probability of retaining the highest-performing individuals in their positions and to increase the probability of displacement of the lowest-performing individuals.

In addition, competitive areas were limited to career fields only. For example, technical professionals would compete only with other technical professionals for retention. This feature was designed to limit the disruption that results when, for instance, engineers can be offered administrative, clerical, messenger, or laborer positions. For example, it would permit managers

to reduce the technical professional workforce without affecting employees in the administrative, clerical, wage grade, or technical career paths when there is a requirement to reduce only the technical professional workforce.

B. How the RIF Works

1. Competitive Areas

In a RIF under the Demonstration Project, employees are grouped into what is known as a “master retention register.” The first grouping is by competitive areas. Employees in one competitive area only compete with employees in that same competitive area, not with the employees in a different competitive area. Within NAWCWD, separate competitive areas were established for China Lake, Point Mugu, and White Sands for Demo employees and non-Demo employees, as well as for each occupational career path within the Demo. These occupational groups were scientists and engineers, technicians, technical specialists, administrative personnel, and general personnel. (See Table 2 below.)

Table 2
COMPETITIVE AREAS

Demo	Non-Demo
Installation and Occupational Career Path	Installation

2. Competitive Levels

Within a competitive area, employees are then grouped into competitive levels. Separate competitive levels are established for all positions having the same service (competitive or excepted); work schedule (full-time, part-time, intermittent, or seasonal); supervisory or non-supervisory status; title, series, and level (grade for non-Demo); and primary specialty area code. Also, Demo employees who are scientists, engineers, or technicians have a functional code, which is part of the competitive level for a Demo RIF. (Non-Demo employees have a competitive level code but not a functional code nor a specialty area code.) A list of competing employees within a competitive level is called a “retention register.” (See Table 3 below.)

Table 3
COMPETITIVE LEVEL

Demo	Non-Demo
Competitive or Excepted Service	Same
Work Schedule (full-time, part-time, intermittent, seasonal)	Same
Supervisor/Non-Supervisor	Same
Title, Series, Pay Level, Functional Code (for scientists, engineers, technicians) and Specialty Area Code	Same (except no functional codes for technicians)

3. Performance Credit

For retention purposes under both systems, the three most recent annual performance ratings of record are used for establishing performance credit. Employees receive performance credit for the three most recent annual ratings received during the four-year period before the cut-off date. (See Section VII D, page &16 for further explanation on Demo performance credit.)

4. Retention Standing

Within a competitive level, employees are also grouped by their tenure (career, career-conditional, or term), veterans preference, length of service, and performance. An employee's relative standing based on these factors on a retention register is called "retention standing." It is here that the Demo and the non-Demo systems differ. Demo employees are grouped first by their performance, then by tenure, veterans preference, and length of service, while non-Demo employees are grouped first by tenure, then veterans' preference, and finally length of service augmented by performance credit. (See Table 4 below.)

Table 4
RETENTION CRITERIA

DEMO	NON-DEMO
Performance	Tenure
Tenure	Veterans Preference
Veterans Preference	Length of Service
Length of Service	Service Augmented by Performance

C. The RIF Process

1. Abolishing Positions

This is the first step in processing a RIF. Management identifies the positions to be abolished based on the reasons for the RIF. While the request for RIF authority on February 12, 1999, had indicated that up to 577 employees might be affected because of commercial activity outsourcing and business-based reasons, by July 12, 1999, 397 positions were identified finally for abolishment.

2. Round One

When a position is abolished, the employee in that position is either reassigned to another position or is displaced from his/her competitive level. That decision is based on the employee's retention standing in the competitive level. The employee with the lowest retention standing is displaced, and that is not necessarily the person in the abolished position. This is called Round One.

3. Round Two

In this round, an employee who has been displaced from his/her competitive level (Round One) is assigned to a position in another competitive level for which the employee is qualified. This can be done by a “bump,” where the employee bumps an employee with lower retention standing. For Demo employees, this would be bumping an employee with less performance credit (in a lower incentive pay group) or, if in the same incentive pay group, the “bumped” employee would be in a lower tenure group or tenure sub-group. The main point is that after it is determined if the employee is qualified to bump, the first thing taken into consideration for Demo employees is performance.

“Retreating” is a very restricted form of bumping. Basically, an employee who has been released from his/her competitive level has the right to retreat to a position formerly held, or essentially identical to one previously held, in a different competitive level for which he/she is qualified. Under the Demo system, the position to which an employee retreats must be occupied by a lower standing employee (lower tenure group, lower tenure subgroup, or later service computation date) in any incentive pay group and at a Demo Project level from or through which the employee was promoted. In other words, performance credit is not the primary consideration in retreat for Demo employees, which is similar to the retreat process for a non-Demo RIF.

4. Reconsideration Requests for Demo Employees

Demo employees can request reconsideration of a RIF action not later than 20 days after the effective date of the RIF. Only Demo employees who are separated or changed to a lower grade through RIF procedures can request reconsideration of that RIF action. Any request for reconsideration is reviewed first by the official in the Human Resources Department designated as the final authority on RIF procedures. If the request for reconsideration is not resolved, the request is forwarded to the Space and Naval Warfare Systems Command, San Diego for final review and decision. Demo employees have no Merit System Protection Board (MSPB) appeal rights.

If an employee believes the RIF action is the result of discrimination due to age, sex, race, color, religion, reprisal, national origin, or physical or mental disability, the employee may file an EEO complaint.

5. Appeal and Grievance Rights for Non-Demo Employees

Non-Demo employees who are not in a bargaining unit may file appeals of their RIF actions to the MSPB. Employees in bargaining units whose negotiated grievance procedures exclude RIF appeals have the choice of appealing to MSPB or going to arbitration using the negotiated grievance procedure. Employees cannot choose both.

If an employee believes the RIF action is the result of discrimination due to age, sex, race, color, religion, reprisal, national origin, or physical or mental disability, the employee may file an EEO complaint.

D. Mitigation Efforts

Prior to November 19, 1999, a number of actions were undertaken by NAWCWD to mitigate the RIF, and are discussed briefly below:

1. *Voluntary Separation Incentive Program (VSIP) and Voluntary Early Retirement Authority (VERA)*

In April 1999, NAWCWD ran the first iteration of the RIF, called a “Mock RIF,” based on the positions identified for abolishment. The Mock RIF was run to identify competitive levels that would be impacted in the RIF. The next month each employee in those identified competitive levels was sent a letter offering them the opportunity to apply for VSIP. All employees who indicated a desire to take a VSIP were reviewed to make certain that approving the VSIP request would result in one less separation by RIF. Where approving the VSIP in fact prevented a separation, the VSIP was approved. Where two or more employees who applied for a VSIP could prevent the same separation action, the senior of the applicants, based on years of service, was approved for VSIP and a VERA, if eligible. Once an employee was approved for VSIP, the employee was removed from competition in further iterations of the RIF.

All told, 148 VSIP applications were approved, resulting in 148 fewer involuntary separations. Of the 148 employees who received VSIPs, 69 elected optional retirement, 63 received VERAs, and 16 resigned. Below, in Table 5, the VSIPs are shown by site and by Demo and non-Demo employees.

Table 5
APPROVED VSIP APPLICATIONS

	CHINA LAKE	POINT MUGU	TOTAL
Demo	53	27	80
Non-Demo	4	64	68
TOTAL	57	91	148

2. *Mock RIF*

In addition to identifying competitive levels that would be impacted in the RIF, the Mock RIF provided potentially affected employees with a snapshot of the potential impact on them, so they could consider available options and insure their personal data was accurate in their OPFs. The Mock RIF also provided an opportunity to correct any RIF technical errors, and provided management with a snapshot of potential RIF impacts to determine if such impact could be mitigated, if possible.

3. Filling Vacant Positions

An agency is not required to fill vacant positions during a RIF. An agency can choose to fill all, some, or none of their vacancies. Some vacancies may not be able to be filled due to the skills and qualifications needed for that vacancy. One reason an agency may decide to fill vacant positions is to avoid some of the disruption caused by employees displacing other employees.

NAWCWD filled 56 vacancies by reassigning employees to minimize the impact of the Demo RIF, 39 at China Lake and 17 at Point Mugu. To minimize the impact of the non-Demo RIF, 51 vacancies were filled by reassigning employees at Point Mugu and in 1 vacancy at White Sands Missile Range. Employees assigned to these vacancies were identified during the running of the RIF. The employee with the highest retention standing, who was qualified for the position, was assigned to the vacancy.

4. Outplacement Activities

NAWCWD undertook a number of outplacement activities to assist employees to find other employment. Career Transition Centers at both China Lake and Point Mugu provided assistance. RIF information, including job search sources, was available on the Intranet/Internet. In April, NAWCWD published an Employee Transaction Guide to assist their employees, and the Guide was posted on their website. Career planning and retirement workshops were provided. Subjects included job search and interviewing skills, resume writing, transition assistance, job fairs, and a job seekers information workshop.

E. Implementing the RIF

To ensure that the RIF was conducted with a minimum of disruption, all actions were frozen as of May 7, 1999, until the RIF effective date, November 19, 1999. Exceptions to the freeze were reviewed by the Vice Commander of NAWCWD. Between May 7, 1999 and the RIF effective date, no one outside of NAWCWD was hired into a vacancy in an affective RIF competitive level.

Supervisors were trained on RIF and how to deal with affected employees as well as those who remained, the “survivors.” A RIF Guide for Managers and Supervisors was also provided to supervisors and managers.

In implementing the RIF, a number of actions were taken that minimized managerial discretion and helped to ensure fairness.

1. An automated RIF system was used rather than running the RIF manually.
2. The RIF was conducted by the San Diego HRSC with the advice and assistance of China Lake officials. In other words, another “pair of eyes” managed the RIF.

3. Qualifications were not waived (an agency option). All employees placed in positions, including vacancies, had to be qualified for those positions.
4. Although employees were placed in vacancies based on retention standing, NAWCWD was not required to do this.
5. If more than one applicant applied for a VSIP in the same competitive level a determination was made that by receiving a VSIP a separation would be prevented, the senior applicant was approved for the VSIP (and VERA, if eligible).
6. Even though the RIF was conducted in 1999, the 1999 performance ratings were not used. By regulation, the cutoff date for the use of the new ratings of record was 30 calendar days before the date of issue of RIF notices. Because the appraisal period ended July 31, 1999, after notices were issued (July 12, 1999), the most recent performance appraisals were 1998, 1997, and 1996 (and 1995 if necessary to determine performance credit for RIF purposes). In other words, the performance ratings used to determine RIF standing were issued before NAWCWD requested authority to conduct the RIF. This reduced the likelihood that the most recent performance rating (July 31, 1998) used in the RIF was adjusted to assist any employee in competing in the RIF.
7. Individual counseling sessions were held with employees affected by the RIF. Each employee was briefed on the RIF process as well as their status in the RIF, including competitive level, specialty area code, veterans preference, service computation date, and other factors affecting the outcome. This included a discussion of how they were affected, what positions they were considered for in Rounds 1 and 2 of the RIF, and the Qualifications Sheet used to determine their eligibility for positions, including any vacancies, which were filled.

F. Conclusion

The team reviewed retention registers, OPFs, and EPFs, and interviewed both employees and former employees affected by the RIF, as discussed above. The team found that the RIF was fairly run with no errors that would affect employees' rights or the RIF results. One minor error was identified where a decision letter had incorrectly recorded an employee's original pay level. It was immediately corrected and had no impact on the RIF or that employee's rights.

VII. MAJOR ISSUES EXPLORED

A. Overall Impact of the RIF on Employees by Site and by Commercial Activity (CA) and Business-Based Reasons

On July 12, 1999, there were 5,100 employees on board in the Weapons Division, from among whom 397 positions were identified to be abolished. Of the 397 abolished positions, 107 were at China Lake, 282 were at Point Mugu, and 8 were at White Sands. (See Table 6.)

Table 6
NAWCWD RIF DOWNSIZING IMPACT

EMPLOYEES	CHINA LAKE		POINT MUGU		WHITE SANDS		TOTAL		
On board 7/12/99	3105		1944		51		5100		
On board 11/19/99	3001		1766		46		4813		
Reduction Number And Percent	104 3.35%		178 9.16%		5 9.80%		287 5.63%		
Positions abolished 7/12/99	107		282		8		397		
Reassignments	39		113		0		152		
Changes to Lower Grade	14		97		1		112		
Separations	18		66		1		85		
Total Impacted Employees 11/19/99	71		276		2		349		
	CA	Business	CA	Business	CA	Business	CA	Business	Total
Positions abolished 7/12/99	29	78	131	151	0	8	160	237	397
Separations 11/19/99	4	14	21	45	0	1	25	60	85

By November 19, 1999, as a result of RIF and non-RIF actions, the 5,100 employees at the three Weapons Division sites had been reduced by 287 (or 5.63%) to 4,813 employees on board. White Sands had the largest proportional reduction, 5 of 51 employees (or 9.8%), leaving 46 on board. Point Mugu, however, experienced the largest number of reductions in its workforce: 1,944 employees were reduced by 178 (or 9.16%) to 1,766. China Lake's 3,105 employees were reduced by 104 employees (or 3.35%) to 3,001.

Of the 397 positions abolished, 160 were abolished for commercial activity (CA) outsourcing reasons and 237 were abolished for business-based reasons, the latter reflecting loss of programs and funding, work load realignment, and skills mix imbalances. The separations that occurred because of the November RIF were compared by CA and business reasons for the RIF, and are also shown in Table 6 above. Of the 85 persons separated, 60 were in positions that were abolished for business reasons (14 at China Lake, 45 at Point Mugu, 1 at White Sands) and 25 for CA reasons (4 at China Lake, 21 at Point Mugu, and none at White Sands).

B. Impact of the RIF by Site and by Demo and Non-Demo Employees

Out of the 397 positions identified for abolishment, 349 employees were actually impacted by the November RIF. Of those 349 employees who were impacted at the three sites, 152 were reassigned to new positions (39 at China Lake, 113 at Point Mugu, and none at White Sands); 112 were changed to lower grades (14 at China Lake, 97 at Point Mugu, and 1 at White Sands);

and 85 employees were separated (18 at China Lake, 66 at Point Mugu, and 1 at White Sands). (See Table 7 below.)

Table 7
OVERALL IMPACT OF RIF BY SITE

	CHINA LAKE	POINT MUGU	WHITE SANDS	TOTAL
Reassignments	39	113	0	152
Changes to Lower Grade	14	97	1	112
Separations	18	66	1	85
Total Impacted Employees	71	276	2	349

The impact of the November RIF at each of the three Weapons Division sites, by Demo and non-Demo employees, is shown below. Among Demo employees, management identified 82 positions to be abolished (53 at China Lake, 29 at Point Mugu, and none at White Sands). For non-Demo employees, a total of 169 positions were abolished (6 at China Lake, 161 at Point Mugu, and 2 at White Sands). Of the 349 employees impacted, 101 Demo employees were impacted by the November RIF (64 at China Lake, 37 at Point Mugu, and none at White Sands); while 248 non-Demo employees were impacted (7 at China Lake, 239 at Point Mugu, and 2 at White Sands). Tables 8 and 9, which follow, show the impact of the RIF on Demo and non-Demo employees.

Table 8
DEMO ONLY RIF STATISTICS

	CHINA LAKE	POINT MUGU	WHITE SANDS	TOTAL
Positions Abolished	53	29	0	82
Reassignments	37	23	0	60
Changes to Lower Grade	13	2	0	15
Separations	14	12	0	26
Total Impacted Employees	64	37	0	101

Table 9
NON-DEMO ONLY RIF STATISTICS

	CHINA LAKE	POINT MUGU	WHITE SANDS	Total
Positions Abolished	6	161	2	169
Reassignments	2	90	0	92
Changes to Lower Grade	1	95	1	97
Separations	4	54	1	59
Total Impacted Employees	7	239	2	248

A number of mitigation actions were taken to reduce the RIF impact. For example, 148 employees were granted VSIPs; 46 went to other government positions; 79 filled vacancies; and additional mitigation occurred from resignations, disability retirements, positions removed from the abolishment list, etc.

C. Impact of the RIF by Site and by Position Series

The parts of the organization that were most impacted by the RIF were the Competencies 5.0E (Technical and Engineering), 4.0D (Research and Engineering), and 3.0E (Logistics), in descending order. This is confirmed in Table 10, which depicts by position series the number of Demo positions abolished and the number adversely impacted at China Lake and Point Mugu.

Of the 53 positions abolished at China Lake, 18 (34%) were Technicians; 10 (19%) were Scientists and Engineers; 9 (17%) were Technical Specialists; 8 (or 15%) were Administrative; and 8 (15%) General positions. Of the 27 positions that were adversely impacted by separations and changes to lower grades, the position series most impacted, in descending order, were Technicians, 11 (41%); Scientists and Engineers, 6 (22%); Technical Specialists, 4 (15%); and Administrative and General positions with 3 (11%) each.

Of the 29 Demo positions abolished at Point Mugu, 27 (93%) were Scientists and Engineers; and one (3%) each was Administrative and General. Of 14 positions that were adversely impacted, 13 (93%) were Scientists and Engineers and 1 (7%) was Administrative.

Table 10
IMPACT OF SEPARATIONS (SEPs) AND CHANGES TO LOWER GRADES (CLGs)
ON VARIOUS GROUPS OF EMPLOYEES

CATEGORY	TOTALS	CHINA LAKE				POINT MUGU			
Total Population 10/31	4996	3099				1897			
		Demo	Non-Demo			Demo	Non-Demo		
Workforce	4996	2836	263			982	915		
Abolished Positions	249	53	6			29	161		
SEPs & CLGs	196	27	5			14	150		
Impact by Position Series		Abolished	SEPs & CLGs	Abolish ed	SEPs & CLGs	Abolished	SEPs & CLGs	Abolish ed	SEPs & CLGs
Demo – Admin	578	8	3			1	1		
Demo – General	361	8	3			0	0		
Demo – S&E	1957	10	6			27	13		
Demo – Tech	544	18	11			1	0		
Demo – Tech Spec	378	9	4			0	0		
Total Demo	3818	53	27			29	14		
Non-Demo	1178			6	5			161	150

D. Impact of Performance on Retention

Performance is the first retention criteria in the Demo system and the last in the non-Demo system. In the Demo system high performers are more likely to be retained and low performers are more likely to be separated.

During the Demo RIF process, credit for performance is determined by an average of the three most recent performance ratings within the past four years. An employee's performance is rated at any one of five levels: "1," "2," "3," "4," or "5."

Level "1" = Outstanding

Level "2" = Highly Successful

Level "3" = Fully Successful

Level "4" = Below Fully Successful/Marginal

Level "5" = Substantially Below Fully Successful

These ratings are given a point value of "1," "2," or "3." Performance rating levels "1" and "2" (Outstanding, Highly Successful) are given a point value of "1." Performance rating level "3"

(Fully Successful) is given a point value of “2.” Performance rating levels “4” and “5” (Below Fully Successful, Substantially Below Fully Successful) are each given a point value of “3.”

Point values are averaged to determine an incentive pay group (IPG). There are three incentive pay groups in which employees are grouped by performance ratings for retention purposes: “H,” “F,” and “L.”

H = Highly Successful

F = Fully Successful

L = Less than Fully Successful

The obvious result of placement into an IPG is that the lowest standing employee will have the lowest IPG and the lowest retention standing. Consequently, the IPG is the primary displacement tool in a Demo RIF action. The results of the 1999 RIF confirmed this.

To further analyze the increased emphasis of performance on retention in a Demo RIF versus a non-Demo RIF, the team compared the 1998 performance ratings (the last performance year used to calculate retention standing) of both Demo and non-Demo employees adversely affected by the RIF. Results show a striking contrast between the two systems in their effect on retention of superior performing employees (those rated above Fully Successful). Data clearly demonstrates that superior performers were less adversely impacted under the Demo RIF than superior performers in the non-Demo RIF. Of the 41 Demo employees adversely impacted by the November 1999 RIF, only 6 (14.6%) were rated above Fully Successful. In contrast, of the 156 non-Demo employees adversely affected by that RIF, 102 (65.4%) were rated above Fully Successful.

Table 11
ADVERSE IMPACT COMPARED TO 1998 PERFORMANCE LEVELS

1998 Performance Levels	Demo #/(%)	Non-Demo #/%
Outstanding	3 (7.3%)	30 (19.2%)
Highly Successful	3 (7.3%)	72 (46.2%)
Fully Successful	31 (75.6%)	54 (34.6%)
Less Than Fully Successful	3 (7.3%)	0
Ineligible	1 (2.4%)	0
Total	41 (100%)	156 (100%)

E. Reconsideration of Performance Ratings and Incentive Pay

The Demo performance system includes a process by which employees receiving a “2,” “3,” “4,” or “5” performance rating may request reconsideration of that rating. Requests for reconsideration are presented in writing to the employee’s third-level supervisor. The third-level

supervisor may either grant the request or ask that a recommending official outside his/her organization and chain of command be appointed to review the rating.

The recommending official reviews the case, meets with the employee and the first-level supervisor, and investigates the facts of the case. The recommending official reports the findings within 14 days to the third-level supervisor who, after considering all the issues, provides a final written decision to the employee.

The percentage of employees requesting reconsideration was, on average, less than 1.5 percent of their population prior to the China Lake/Point Mugu consolidation in 1993. Since then the rate has steadily increased from 1.4 percent in 1991 to 3.7 percent in 1999. Downsizing and commercial activity studies, to determine whether a function should be contracted out to a private firm, have been major concerns of employees and managers during that time.

During the three performance years used for computation of retention credit for the RIF (1996, 1997, 1998), 3.4% of employees requested reconsideration of their performance ratings. Managers made adjustments to 43.7% of those requests. Twenty-seven requests were received from Demo employees affected by the RIF during that time, of whom eight were adversely affected. Nine adjustments were made to the performance ratings, of which three were for employees adversely impacted.

Table 12
PERFORMANCE RECONSIDERATIONS DURING 1998/1997/1996

	CHINA LAKE	POINT MUGU	TOTAL
Number of Cases/ Number Adjusted	19/5	8/4	27/9
Number of Employees/ Number Adjusted	15/4	6/3	21/7
Number Employees Adversely Impacted/ Number Adjusted	6/2	2/1	8/3

Table 12 above depicts the number of cases and employees who requested reconsiderations over a three-year period and the number of adjustments that were made. Although the percentage of employees requesting reconsideration (3.4%) does not appear excessive, 43.7% of those requests were granted in the years 1996 through 1998. Such a high proportion of rating-decision reversals raises questions regarding rating decisions on a wider scale.

Recommendation 1:

Establish an ongoing approach (perhaps a panel) to review the reconsideration system with the objective of identifying problems or issues with the rating process. The approach could identify unusual decision patterns, top of the pay level and midpoint implications, organizational peculiarities, etc. and make recommendations for correction including holding managers accountable where inappropriate rating patterns persist.

F. Impact of Pay Pool Limitations on Performance Ratings

Incentive Pay is distributed to employees based upon their performance ratings. The total amount of incentive pay used by NAWCWD (2.4% of pay, most recently, plus .8% for bonuses) is limited to ensure payroll costs are controlled. The philosophy of the Demo pay system is “pay for performance” not “pay increase for performance.” If an individual is at the top of the pay level, his/her performance is expected to be of high value. A combination of other factors, such as the perceived value of the employee relative to others in the organization, the employee's long-term contribution to the organization, and other such factors are considered in making compensation decisions. If an outstanding employee's pay cannot be increased due to being at the top of the pay band, a cash bonus can be awarded instead of incentive pay. Limitations on incentive pay are normal in many performance systems. They force supervisors to make the difficult judgments that distinguish among employees' performance.

However, there has been some concern expressed by employees that the limitation results in management reducing individuals' performance ratings, particularly if they are at the top of their pay band. This action is said to be for the purpose of producing more incentive dollars for more junior employees whose compensation is less. Similar concerns were expressed regarding employees at the midpoint of their pay band. To progress above the midpoint an employee must receive a Highly Successful or above rating. Team members were told by a number of employees and supervisors that if an individual's position is considered to be valued only at the lower half of the band and has no growth potential, the performance rating is held to Fully Successful to avoid moving the employee's pay into the upper half of the band. This places the employee in greater jeopardy during RIFs.

Supervisors' recommended ratings are reviewed by Performance Review Boards (PRBs) and are not official until PRB approval. PRBs are made up of officials from the various organizations within a department. Their objective is to ensure a measure of consistency among supervisors making what are inherently subjective recommendations.

To determine if performance/pay data bears out employee perceptions, the team reviewed 1998 results. NAWCWD performance ratings for 1998 show that 12.5 percent of employees at the top of the pay band received a “1” performance rating while 11.06 percent of all Demo employees received a “1” rating. The distribution of Demo performance rating levels was approximately the same for those at the top of pay bands as it was for the total Demo employee population. Only one request for reconsideration of performance ratings in the three years used for the RIF process was from an employee at the top of the pay band who claimed that his/her performance rating was lowered for that reason.

Also in 1998, 51.3% of employees at the midpoint were rated Highly Successful or above (which was required to move above the midpoint of the pay band), while 54.8% of all employees were so rated. The difference in percentages may be due to greater caution being exercised when moving an employee into the upper range of a pay band. Also, some of the employees not receiving Highly Successful or above could have been in positions that do have growth potential

above the midrange. Information was not available regarding the number of positions considered to have limited growth potential beyond the lower half of a band.

In spite of the above record, there is widespread belief among both employees and managers interviewed that the performance ratings of employees at the top of their pay bands and at the midpoint are lowered to provide more dollars to employees in lower portions of the pay bands. They feel that morale among superior employees is suffering due to this practice and that highly effective employees are placed in greater danger in RIFs because of system requirements that link pay amounts directly to performance rating levels. Most managers and employees interviewed commented that a good rating is more important to professionals than the pay increase, particularly if they are at the top of the pay band, and that the additional RIF protection that comes with a better rating is both critical to the individual and to the future health of the organization.

The Academy team agrees that the morale of an organization is a paramount consideration for continuing success. The team also believes that the Demo RIF system is highly effective in providing additional protection for superior performers and that characteristic should be retained. In order to maximize both employee morale and the protection of high performers, the team recommends that NAWCWD leadership aggressively address this issue. The following combinations of actions are possible.

Recommendation 2:

- a) Conduct a confidential survey of supervisors, managers, and employees to obtain their views on this issue.
- b) Share data with all employees showing actual distribution of ratings for top of the band and midpoint employees compared to the general population.
- c) Inform and advise supervisors, managers, and PRBs regarding the appropriate approaches in this performance/pay matter.
- d) If the surveys confirm a widespread belief that ratings are lowered in these situations, and data regarding performance rating/pay decisions does not completely refute that belief, then NAWCWD leadership could consider delinking the performance rating and pay decisions. For example:
 - 1) The initial decision regarding performance could be made using the current rating structure. (RIF retention credit is based upon the performance rating, not the pay level.)
 - 2) A separate decision regarding the appropriate incentive and/or bonus pay could be made based on a combination of factors such as:
 - The employee's current performance rating
 - The employee's current pay
 - The employee's performance history
 - The growth potential of the employee's position
 - The employee's contribution to current priority projects
 - Other appropriate factors

Such an approach would preserve the "pay for performance" philosophy while strengthening an already effective RIF system by ensuring no superior employee is inadvertently placed in greater risk due to a lower rating caused by the avoidance of a forced pay action.

The team realizes that current federal regulations controlling the Demo would require change if this course is pursued.

G. Functional Codes and Specialty Area Codes

In addition to title, series, and level, positions are assigned functional codes and up to three specialty area codes. The first, or the primary specialty area code, is used in RIFs. It is part of the competitive level, along with the functional code, which is used for Demo positions that are Scientists, Engineers, or Technicians.

Supervisors are delegated the responsibility for position classification, and they assign the functional and specialty area codes. The employee is provided a copy of the position description, which contains those codes.

In addition, managers are periodically asked to review and update position descriptions, including functional codes and specialty area codes. The last time such a review was conducted by NAWCWD was January 1998. In July 2000, NAWCWD undertook a special review of specialty area codes, which is now ongoing.

The specialty area code and functional code are part of the competitive level and basically differentiate among positions within the same series. The Academy team looked at specialty area codes as part of the review and found no problems with their use. However, the team did notice that the RIF notices for Demo employees do not contain the specialty area code nor the functional code of the employee's position. During the individual counseling session, the employee is shown all pertinent RIF information, including the functional codes and specialty area codes. At that time, as well as on appeal, an employee could challenge these codes.

Recommendation 3:

For Demo employees, the complete competitive level information should be included on all RIF notices, including any functional code and the primary specialty code used in the RIF process.

H. Impact of RIF on Various Employee Groups (by Age, Sex, Minority Group, Disability, and Veterans Status)

The impact of the November RIF on various groups of employees covered by the Demo system was reviewed. The percentage of those groups of employees in the workforce was compared with the percentage of their positions abolished and the percentage of their positions adversely impacted by changes to lower grades and separations.

The Demo RIF system was designed to place primary weight on employee performance in the computation of retention standing. Veterans preference and years of service also have significant impact in this regard. Additionally, if an individual's job is abolished, the probability of adverse impact increases (although it is not assured). Keeping those factors in mind, each employee group was reviewed to determine whether the impact on the group was disproportionate when compared with that group's percentage of the relevant population and, if so, to identify the causes. For performance comparison purposes, the 1998 rating was used because it was the most recent official rating of record for RIF purposes. Our analysis is summarized below and further illustrated in Tables 13 and 14.

Note: Caution should be exercised in drawing conclusions from very small numbers since the addition of one employee in a computation affecting some populations can significantly change percentages.

1. Age 40 and above

Job Abolishments / Adverse Impacts:

At China Lake 77% (2,180) of the employee population of 2,836 covered by the Demo were age 40 and above. Although 79% (42) of the 53 positions that were abolished were occupied by employees in this age group, 66% (18) of the 27 people adversely affected were in that age group.

At Point Mugu 64% (632) of the Demo population of 982 were 40 and above. While 76% (22) of the 29 positions abolished were occupied by employees in this age group, they represented 64% (9) of those adversely affected, which equals their workforce representation.

Performance:

At China Lake 16.7% (3 of 18) of the employees age 40 and above who were adversely impacted were rated Highly Successful or above in 1998, compared to 14.8% of all adversely impacted employees.

At Point Mugu 11.1% (1 of 9) were rated Highly Successful or above compared to 14.3% of adversely impacted employees.

Years of Service:

Older workers have longer length of service, on average, than younger employees.

Veterans Preference:

A higher proportion of older employees are veterans.

Conclusion:

Considering the above factors, older workers did not appear to be disproportionately impacted by the RIF. Comparing positions abolished to those actually adversely affected, the Demo system produced a lesser impact on older workers than the non-Demo system. (See Tables 13 & 14)

2. Targeted Disabled

Job Abolishments / Adverse Impacts:

At China Lake, 1% (30) of the total Demo workforce of 2,836 were employees with targeted disabilities. However, 4% (2) of the 53 abolished positions were held by these employees, and 7% (2) of the 27 persons adversely impacted by the RIF were employees of that group.

At Point Mugu, .3% (3) of the Demo workforce of 982 were employees with targeted disabilities, while 3% (1) of the 29 abolished positions were held by these employees and none of the 14 persons adversely impacted was a disabled employee.

Performance:

All disabled employees adversely affected were rated Fully Successful.

Years of Service:

The average length of service of the adversely affected disabled employees was approximately 10 years compared to the average service of the total Demo population of 18 years at each site.

Veterans Preference:

No employee with targeted disabilities who was adversely impacted had veterans preference.

Conclusion:

Due to the small numbers involved, it is not possible to reach valid conclusions regarding proportionate impact of the RIF on disabled employees.

3. American Indians

Job Abolishments / Adverse Impacts:

At China Lake, 1.3% (38) of the Demo workforce was American Indian. One American Indian male's position was abolished, but he was not adversely impacted. One female American Indian in the Demo population at China Lake was changed to a lower grade.

At Point Mugu, 0.2% (3) of the Demo employees was American Indian. None of their positions were abolished, nor were any adversely impacted.

4. Asians/Pacific Islanders (hereafter Asians)

Job Abolishments / Adverse Impacts:

At China Lake, Asians comprised 4% (115) of the Demo workforce. Asian females held 6% (3) of the 53 positions abolished and represented 7% (2) of the 27 persons adversely impacted. The two Asian females were separated.

At Point Mugu, Asians represented 19% (184) of the employee population. They held 22% (7) of the 29 positions abolished (slightly above their representation in the workforce) but represented 43% (6) of the 14 adversely impacted.

Performance:

One hundred percent of the adversely impacted Asians at China Lake and 33.3% at Point Mugu were rated "Highly Successful" or above in 1998 compared to 14.6% of all employees adversely impacted.

Years of Service:

The average length of service of Asian employees at China Lake was 9.9 years and 11.4 at Point Mugu compared to 18 years for the total Demo employee population at each site. A major recruiting campaign was initiated in the early 1990's to recruit Asians.

Veterans Preference:

None of the Asians impacted had veterans preference.

Conclusion:

Fewer years of service and lack of veterans preference appear to be factors contributing to the adverse impact on Asians in spite of their higher than average performance ratings.

5. Blacks*Job Abolishments / Adverse Impacts:*

At China Lake, Blacks represented 1.8% (54) of the Demo population of 2,836. One position held by a Black female was abolished, representing 2% of the abolished positions. No Black employees were adversely impacted.

At Point Mugu, 3% (33) of the Demo population of 982 were Black. Two positions held by Black males were abolished, representing 7% of the abolished positions, but no Black employee was separated or changed to a lower grade.

6. Hispanics*Job Abolishments / Adverse Impacts:*

Hispanic employees represent 3% (101) of the Demo workforce at China Lake. The positions of one male and one female Hispanic employee were abolished, representing 4% of the abolished positions. One Hispanic male was changed to a lower grade (representing 4% of those adversely impacted).

Hispanic employees represent 7% (76) of the Demo workforce at Point Mugu. No Hispanic employee covered by the Demo at Point Mugu held a job that was abolished, nor were any adversely impacted.

7. Women*Job Abolishments / Adverse Impacts:*

Women represented 34% (963) of the Demo workforce at China Lake, but held 40% (21) of the 53 positions abolished. Seven women were separated and 5 changed to lower grade. They represented 44% of the adversely impacted employees.

At Point Mugu, 17% (168) of the Demo workforce were women. Three women held jobs that were abolished, representing 10% of abolishments, while 21% (3) of those adversely impacted were women.

Performance:

At China Lake, 16% (2) of the women adversely impacted had received a rating of Highly Successful or above in 1998, while 13% (2) of the 15 males received such ratings.

At Point Mugu, 66% (2) of the women adversely impacted had received a Highly Successful or above rating in 1998, while none of the 11 males received such ratings.

Years of Service:

The average years of service of women Demo employees at China Lake was 13.6 and 12.2 at Point Mugu, compared to 18 for the general Demo population at both sites.

Veterans Preference:

None of the women adversely impacted were veterans.

Conclusion:

Fewer years of service and a lack of veterans preference appears to have contributed to the higher adverse impact on women in spite of their generally higher performance ratings.

8. White Males

Job Abolishments / Adverse Impacts:

At China Lake, 59% (1,683) of the Demo population were White males. The proportion of positions abolished was 57%(30), resulting in 52% (14) of the adversely impacted being White males.

At Point Mugu, White males represented 60% (590) of the Demo population and 62%(18) of the job abolishments, producing a 50% (7) adverse impact rate.

Performance:

Ratings of Highly Successful or above were given to 13% (2) of the adversely impacted White males at China Lake in 1998, compared to 14.8% of all adversely impacted Demo employees.

None of the adversely impacted White males were rated Highly Successful or above at Point Mugu in 1998.

Years of Service:

White males, on average, have greater length of service than the general employee population.

Veterans Preference:

White males had a higher incidence of veterans preference than the general employee population.

Conclusion:

When compared with their percentage of the workforce, White males occupied a slightly higher percent of the abolished positions at China Lake and a slightly lower percentage of those at Point Mugu. However, they were adversely impacted at lower rates than their workforce percentages at both sites. A higher incidence of veterans preference and longer years of service appear to have decreased the RIF's adverse impact on White males.

9. Veterans

Although veterans represent over 22% of the NAWCWD total employee population, only 9.7% of employees adversely impacted were veterans -- 3 separated (1 reinstated) and 1 changed to a lower grade.

Conclusion:

In keeping with national policy, veterans preference enhanced employee retention at NAWCWD.

Table 13
WORKFORCE, POSITIONS ABOLISHED, AND SEPARATIONS, AND CHANGES TO
LOWER GRADES, AT CHINA LAKE BY DEMO/NON-DEMO AND EMPLOYEE
GROUPS

	CHINA LAKE					
	Demo			Non-Demo		
Groups	No. & % Of Total Demo Workforce of 2836 (100%)	No. & % of Positions Abolished 53 (100%)	No. & % of SEPs & CLGs 27 (100%)	No. & % of Non-Demo Workforce 263 (100%)	No & % of Positions Abolished 6 (100%)	No & % of SEPs & CLGs 5 (100%)
Age 40 & above	2180/2836 (77%)	42/53 (79%)	18/27 (66%)	175/263 (67%)	5/6 (83%)	4/5 (80%)
Less than Age 40	656/2836 (23%)	11/53 (21%)	9/27 (34%)	88/263 (33%)	1/6 (17%)	1/5 (20%)
Targeted Disabled	30 (1%)	2 (4%)	2 (7%)			
American Indian Females	15 (0.5%)	0	1 (4%)	0	0	0
American Indian Males	23 (0.8%)	1 (2%)	0	3 (1%)	0	0
Asian Females	38 (1%)	3 (6%)	2 (7%)	0	0	0
Asian Males	77 (3%)	0	0	12 (5%)	0	0
Black Females	24 (0.8%)	1 (2%)	0	0	0	0
Black Males	30 (1%)	0	0	14 (5%)	0	0
Hispanic Females	41 (1%)	1 (2%)	0	2 (0.7%)	0	0
Hispanic Males	60 (2%)	1 (2%)	1 (4%)	15 (6%)	2 (33%)	1 (20%)
White Females	845 (30%)	16 (30%)	9 (33%)	8 (3%)	1 (17%)	1 (20%)
White Males	1683 (59%)	30 (57%)	14 (52%)	209 (79%)	3 (50%)	3 (60%)
Total Women	963 (34%)	21 (40%)	12 (44%)	10 (4%)	1 (17%)	1 (20%)

Table 14
WORKFORCE, POSITIONS ABOLISHED, SEPARATIONS, AND CHANGES TO
LOWER GRADES, AT POINT MUGU BY DEMO/NON-DEMO AND EMPLOYEE
GROUPS

	POINT MUGU					
	Demo			Non-Demo		
Groups	No. & % Of Total Demo Workforce 982 (100%)	No. & % of Positions Abolished 29 (100%)	No. & % of SEPs & CLGs 14 (100%)	No. & % of Non-Demo Workforce 915 (100%)	No & % of Positions Abolished 161 (100%)	No & % of SEPs & CLGs 150 (100%)
Age 40 & above	632/982 (64%)	22/29 (76%)	9/14 (64%)	704/915 (77%)	123/161 (76%)	100/150 (66%)
Less than Age 40	350/982 (36%)	7/29 (24%)	5/14 (36%)	211/915 (23%)	38/161 (24%)	50/150 (33%)
Targeted Disabled	3 (.3%)	1 (3%)	0			
American Indian Females	0	0	0	8 (0.8%)	1 (0.6%)	1 (0.6%)
American Indian Males	3 (0.2%)	0	0	8 (0.8%)	2 (1%)	1 (0.6%)
Asian Females	37 (4%)	1 (1%)	2 (14%)	41 (4%)	6 (4%)	13 (9%)
Asian Males	147 (15%)	6 (21%)	4 (29%)	44 (5%)	14 (9%)	15 (10%)
Black Females	10 (1%)	0	0	48 (5%)	9 (6%)	12 (8%)
Black Males	23 (2%)	2 (7%)	0	36 (4%)	12 (7%)	6 (4%)
Hispanic Females	24 (2%)	0	0	129 (14%)	16 (10%)	22 (15%)
Hispanic Males	52 (5%)	0	0	82 (9%)	19 (12%)	13 (9%)
White Females	97 (8%)	2 (7%)	1 (7%)	186 (20%)	22 (14%)	25 (17%)
White Males	590 (60%)	18 (62%)	7 (50%)	333 (36%)	60 (37%)	42 (28%)
Total Women	168 (17%)	3 (10%)	3 (21%)	412 (45%)	54 (34%)	73 (49%)

I. Since the RIF

Following the effective date of the RIF, NAWCWD continued its responsibilities to insure that affected employees were placed on repromotion lists and reemployment priority lists (if they applied). At the end of the Demo RIF, 26 employees had been separated. Four have been rehired by NAWCD and 3 have been rehired by other government activities. Of the 15 Demo employees changed to a lower grade, 1 has left NAWCWD, and 11 have been repromoted. For non-Demo employees, of the 59 separated, 10 have been reemployed; of the 97 changed to lower grade, 37 have been repromoted.

VIII. OTHER ISSUES

A. EEO Complaints Filed

The Academy team reviewed the impact of the RIF on persons who had previously alleged they had been treated discriminatorily in their employment. Of some 557 positions originally identified to be abolished, 23 (4%) were held by persons with prior EEO complaint activity. Those 23 individuals included 12 Demo employees who were spread among three sites (7 at China Lake, 4 at Point Mugu, and 1 at White Sands). The remaining 11 non-Demo employees were spread among five sites (1 at China Lake, 6 at Point Mugu, 1 at White Sands, 2 at Oxnard Air Force Base, and 1 at San Nicolas Island).

Persons with prior EEO activity represented less than 1% of the workforce. Of the 82 Demo positions abolished in November 1999, 7 (9%) were held by persons with prior EEO complaint activity (5 at China Lake and 2 at Point Mugu). The 5 Demo employees at China Lake represented 9% of the 53 Demo positions abolished at that site; but only 2 of those 5 individuals were adversely impacted, 1 by a change to a lower grade and 1 by separation because the position was not funded. Thus, those 2 employees who had prior EEO activity represented 7% of the 27 Demo employees who were adversely impacted at China Lake. The 2 employees at Point Mugu represented 7% of the 29 positions that were abolished; but neither of them was adversely impacted by the RIF; nor were any of the non-Demo employees at any of the 5 sites so affected.

The Academy team concluded that while positions held by employees with prior EEO complaint activity had been identified for abolishment at higher percentage rates than their representation in the workforce, the ultimate adverse impact of separation was experienced by only one employee. This occurred because of lack of funding for the position, which was one of the objective and neutral business-based reasons the RIF was conducted.

The Academy team also reviewed summary information about 16 unnamed individuals who had entered the EEO discrimination complaint process during 1999-2000, and had alleged discriminatory treatment during the implementation of the RIF. During FY 1999, 59 persons had filed EEO complaints, of which 8 (14%) were RIF-related. An additional 8 persons filed RIF-related allegations of discrimination during the first eight months of FY 2000.

Of the 16 individuals who entered the informal stage of the process, only 7 went on to file formal complaints. Of the 7 employees, 5 alleged they were urged or forced to take a VSIP or VERA and to resign or retire; one was reassigned; and one was separated in the RIF. Five of the 7 alleged these RIF-related actions were taken against them as reprisal for prior EEO activity; two alleged age discrimination; one alleged discrimination because of one's race and color – Black; and one alleged physical disability discrimination. The individual cases, of course were not in the purview of the Academy team and instead are being adjudicated under the appropriate administrative procedures provided for these matters. Neither a final agency decision nor a resolution of any of the complaints had occurred at the time this data was reviewed.

B. Managing Unfunded Positions

Originally known as the “Down-Time List,” the “Available Talent Pool (ATP)” was an effort to aggregate employees from activities that were no longer funded and offer them management assistance in finding work in funded areas. Initially, managers held weekly meetings to discuss their situations and try to place the employees. (It is important to note that first-line supervisors were not involved in these meetings. This was a major flaw in the program – the fact that it did not place primary onus on first-line supervisors to help their unfunded employees find work. Because first-line supervisors were not involved in the weekly management meetings, they were somewhat out of the loop and “off the hook” with regard to placing their downtime employees.) When placement on the Down-Time List began to have negative connotations, the name of the list was changed to the “Available Talent Pool.” However, the name change had little if any effect on the morale of those affected, and a decision was made to abolish the ATP in December 1998.

Once the ATP was abolished, responsibility was placed on first-line supervisors to work with unfunded employees to help them find funded employment. While there was no formal corporate policy requiring unfunded employees to find their own work, the requirement to find work was often stated in individual employee performance standards.

The general perception among those interviewed was that the ATP was originally designed to maximize the use of on-board resources as hiring was cutback and operations were being reduced at Point Mugu. One interviewee related that at the onset of the ATP program, managers and supervisors worked with ATP employees to direct and assign them to jobs in funded activities. But the concept of the ATP soon changed, and it appeared it was ultimately being used as a way to dispose of unwanted employees. Numerous interviewees indicated that they (as ATP employees) were required to find their own work and were not assisted by management in these efforts. They were also held responsible for meeting this requirement in their official performance standards.

Concerns of interviewees reflect the feeling that being assigned to the ATP was considered a sign of poor performance. This was in spite of the fact that they were told an individual's placement on the ATP list was not his/her fault. Another concern was raised about the apparent lack of an avenue of redress through which to appeal being assigned to the ATP.

Interviewees assigned to the ATP also complained that their supervisors ignored them, gave them no work, and required them to find funded employment. One interviewee stated that while he actually found work, he was not assigned to this particular activity because the work was outside of his core competency. He indicated that the hours available would have been sufficient to place him and his subordinate staff in a payable status for a considerable period of time. What interviewees perceived as most damaging about placement on the ATP was that they were routinely given Fully Successful ratings, regardless of their actual performance. This made them more vulnerable to losing their positions in a RIF, given the weight of the performance retention factor for Demonstration Project employees. There was no data to support or deny this perception. Some representative comments obtained from interviews are bulleted below:

- I was in the Available Talent Pool and was able to actually find funded work on the Shuttle Scheduling System. I was later told that this was outside of my core competency and could not continue with this work (despite the fact that the hours would have paid for my entire staff and me).
- I was placed on the ATP list because my project became unfunded. One of my performance standards required that I take time to find funded work while assigned to this list. While I was supposed to receive supervisory assistance in these efforts, this never occurred.
- Employees were told if you are in ATP, you will be RIFed next. Employees could get no more than a Fully Successful rating if in ATP.
- I was placed on the ATP and people on this list typically never get ratings above the 3 level.
- We just move poor performers around. We created the ATP and it has become a gathering place for poor performers. Some good guys are put in legitimately, but they get tainted due to the reputation of the Pool.

Finally, although the Academy team understands that the ATP no longer exists, interview comments suggest that employees are under the impression that the program is ongoing.

The ATP was originally established as tool for management to assist employees in unfunded activities in finding funded employment within the Naval Air Warfare Center. Although the program worked initially, lack of involvement of first-line supervisors in assisting unfunded employees in finding work and growing employee concerns about the performance stigma associated with being assigned to the ATP, led to a decision to abolish the pool in December 1998.

The decision to abolish the ATP was conveyed primarily through manager meetings and other managerial communication channels. It was also announced on a website that is available to all hands. Additionally, on a question and answer website that was opened for the purpose of dealing with RIF issues, issues concerning the ATP, including the fact that the pool had been

discontinued, were addressed. Despite these communications, many of the interviewees were unaware of the discontinuance of the ATP.

Recommendation 4:

A formal written communication from base management should be sent to the workforce reminding them that the ATP Program has been discontinued. This communication should reemphasize that unfunded employees and their immediate supervisors are responsible for working together to find funded work in other base activities for which they (employees) are qualified. It should also state that first-line supervisors and employees will be evaluated annually on their efforts to accomplish this objective. The team also recommends accomplishing this through the design and implementation of clear, uniform performance standards (for supervisors and employees) that accurately measure this important activity.

Recommendation 5:

Should management choose to either reinstate the ATP or use a similar program at a later date, the team recommends that NAWCWD consider modeling it after a program now in use at AT&T entitled "Resource Link." Resource Link is a temporary unit composed of AT&T general management and technical professionals. These associates perform much of the work that AT&T previously contracted out. They work on a contractual basis for the various AT&T business units back-filling vacant positions, supporting temporary peaks in workload, providing specialized support, importing needed expertise, or providing cross-business experience. While the program began as an effort to place unfunded employees, participants are now frequently AT&T associates from funded activities who volunteer to broaden their experiences and opportunities. This pool of employees is proving cost effective and is helping to balance the staffing needs with the business needs of the organization.

C . Favoritism and Retaliation

During the interviews, a number of employees complained about favoritism and poor treatment. They stated they were reluctant to lodge official complaints because they feared retaliation by management. While the Academy team only interviewed those employees who wanted to interview, rather than conduct a random attitude survey, the team believes that the frequency of these employee concerns warrants management attention. Employees need to feel they are treated fairly by management and that if they have complaints, they should be encouraged to raise them for clarification or attention. While this review was focused on the conduct of the RIFs at China Lake and Point Mugu, the Academy team was struck by the similarity of the concerns at both sites.

Recommendation 6:

- a) Management conduct an attitude survey of employees and managers to determine if such a problem exists.
- b) Based on the survey results, management consider supervisory training if appropriate.
- c) The administrative grievance procedure be publicized as a mechanism for employees to raise their concerns, and the Commander assure all employees that all complaints will be reviewed fairly and no retaliation will be tolerated.
- d) Management consider the establishment of an ombudsman who reports directly to the Commander to hear and look into any concerns raised by employees and managers if the administrative grievance procedure is not effective.

In conclusion, while the team cannot determine if there is a problem, it strongly encourages management to determine if such is the case, and address the issue if necessary.

IX. CONCLUSIONS AND RECOMMENDATIONS

The Academy team concludes that the Demo RIF was conducted properly and fairly. The only recommendation, which management has already agreed to, is that future RIF notices contain the full competitive level code—specifically the functional code and the specialty area code. The review found that management took steps to minimize managerial discretion and insure fairness as was discussed on pages &11 and &12. Management also used various outplacement efforts to minimize the RIF impact and has worked to restore those employees who were adversely affected—specifically those that were separated or changed to lower grade.

The impact of the Demo RIF on the employee population was analyzed in detail. While there was some adverse impact on portions of the workforce, a RIF may not have a proportional impact on those affected. The fact that one group is adversely impacted more than another is regrettable. But if the RIF is run properly, as it was, such an impact sometimes cannot be avoided. The RIF procedures are supposed to be applied in a neutral manner, and they were.

Despite these facts, there are issues with which management should be concerned. Specifically, management should examine employees' concerns about the manner in which the performance management system operates in practice and the perceived inequities that occur to employees at the midpoint and the top of the pay range. Where employees believe they are not rated accurately, it can be a demotivator that impacts adversely on program and mission accomplishment. These issues are highlighted in the body of the report, together with recommendations/options for NAWCWD management to analyze and implement subject to their findings.

Regarding the use of downtime and its impact on employees, the team has offered a similar set of recommendations. There is considerable confusion among employees and managers as to how

this program operates and their respective responsibilities in finding work and providing work opportunities for unfunded employees.

Finally, the team has sought to highlight the concerns interviewed employees raised about a climate of favoritism and retaliation in NAWCWD. Nearly 60% of the employees who volunteered to be interviewed were not affected by the RIF but wanted to discuss their concerns about this matter. While these perceptions are not an indictment of NAWCWD management practices, they are possible indicators of the management climate and could impact future RIFs.

The Academy team's basic charter was to determine if the Demo RIF was fairly run. It was. The team also has included several concerns raised by employees and managers and encourages management to look into the situation to determine if such perceptions are reality. The team has included some possible recommendations/options for management to consider following their analysis.

A summary of the Academy teams' conclusions and recommendations follows:

Performance Rating Reconsideration

Conclusion: Although the number of reconsideration requests does not appear excessive, the fact that a high percentage of those requests are being granted raises questions regarding overall rating accuracy.

Recommendation 1:

Establish an ongoing approach (perhaps a panel) to review the reconsideration system with the objective of identifying problems or issues with the rating process. The approach could identify unusual decision patterns, top of the pay level and midpoint implications, organizational peculiarities, etc. and make recommendations for correction. Its goal would be to bring improvement and greater confidence to the rating and reconsideration process.

Impact of Pay Pool Limitations on Performance Ratings

Conclusion: Many employees and supervisors believe employees at the top of their pay bands and those at the midpoint are given lower performance ratings to provide more incentive pay to more junior employees / less highly paid employees at lower portions of the pay bands. The following actions are suggested:

Recommendation 2:

- a) Consider conducting a confidential survey of supervisors, managers, and employees to obtain their views on this issue.
- b) Consider developing and sharing data regarding these issues with all employees showing the actual distribution of ratings for top of the range and midpoint employees compared to the general population.
- c) Supervisors, managers, and PRBs should be informed and advised regarding this issue and the appropriate approach for dealing with these situations.
- d) After considering the results of the above, NAWCWD leadership could consider delinking the performance rating and pay decisions. After the initial decision regarding performance, a separate second decision regarding the appropriate incentive and bonus pay could be made based upon a combination of factors including: the current performance rating, the employee's current pay, performance history, the growth potential of employee's position, contribution to current projects, and other factors impacting overall compensation. Delinking would preserve the "pay for performance" philosophy while avoiding forced pay decisions and their impact on morale and the potential loss of highly effective employees whose ratings may have been lowered due to dollar limitations.

Functional Codes and Specialty Area Codes

Conclusion: The Academy team review found no indication that functional codes and specialty area codes were used improperly.

Recommendation 3:

For Demo employees the complete competitive level information should be included on the RIF notice, including any functional code and the primary specialty code used in the RIF process. The Academy team did not identify any complaints based upon improper specialty area codes.

Managing Unfunded Positions

Conclusion: The ATP was originally established as a tool for management in order to assist employees in unfunded activities in finding funded employment within the Naval Air Warfare Center. Although the program worked initially, lack of involvement of first-line supervisors in assisting unfunded employees in finding work and growing employee concerns about the performance stigma associated with being assigned to the ATP, led to a decision to abolish the pool in December 1998. Many of the interviewees were unaware of the discontinuance of the ATP.

Recommendation 4:

A formal written communication from base management should be sent to the workforce reminding all employees that the ATP Program has been discontinued.

Recommendation 5:

Should management choose to either reinstate the ATP or use a similar program at a later date, the team recommends that NAWCWD consider modeling it after a program now in use at AT&T called "Resource Link." Employees work on a contractual basis for the various AT&T business units back-filling vacant positions, supporting temporary peaks in workload, providing specialized support, importing needed expertise, or providing cross-business experience.

Favoritism and Retaliation

Conclusion: A number of employees complained about favoritism and poor treatment. They claimed they were reluctant to make official complaints because they feared retaliation by management. Because the team was unable to follow up on the validity of these complaints, the team encourages management to review this situation. Whether true or not, some employees perceive that these conditions exist.

Recommendation 6:

- a) Management conduct an attitude survey of employees and managers to determine if these perceptions are widespread and founded in fact.
- b) Based on the survey results, management consider supervisory training if appropriate.
- c) The administrative grievance procedure should be publicized as a mechanism for employees to raise their concerns, and the Commander should assure employees that all complaints will be reviewed fairly and no retaliation for speaking up will be tolerated.
- d) Management consider the establishment of an ombudsman, who reports directly to the Commander, to hear and look into any concerns raised by employees and managers if the administrative grievance procedure is not effective

The Academy team wishes to thank NAWCWD and particularly the human resources staff at China Lake and in HRSC, San Diego, for their support, cooperation, and assistance.

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